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DEPT FOR EUR/AGS, INR/EU, AND EUR/PPD FOR YVETTE SAINT-ANDRE  
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SUBJECT: AUSTRIAN MEDIA HIGHLIGHTS: January 08, 2007

END SPURT OF COALITION TALKS?

**¶1.** 99 days after the Austrian general elections a decision on a grand coalition government seems to be imminent. The final round of talks between the SPOe and the OeVP will be held today, following a "secret meeting" yesterday of party leaders Alfred Gusenbauer and Wolfgang Schuessel to discuss remaining unresolved issues, ORF radio early morning news Morgenjournal says. Similarly, mass-circulation provincial daily Kleine Zeitung writes that today is "the decisive day," which will "pave the way once and for all for Gusenbauer's chancellorship." Mass-circulation tabloid Oesterreich runs the front-page headline "government to be determined today," adding that Schuessel and Gusenbauer in their meeting yesterday reached an agreement on all remaining issues, including the Eurofighters and the university study fees. While the two parties have agreed to split ministry posts evenly between them, a tug-of-war over key portfolios continues, according to mass-circulation daily Kurier. With the OeVP insisting on the finance portfolio and other key ministries, there are speculations that outgoing Chancellor Wolfgang Schuessel could remain in government and become the country's next Finance Minister, succeeding Karl-Heinz Grasser. OeVP floor leader Wilhelm Molterer told Austrian television yesterday that the decision "entirely depends on Schuessel," though.

AMBASSADOR HOESS HAS DIED

**¶2.** Fritz Hoess, one of the most prominent and most popular former Austrian Ambassadors, died on Friday aged 75, mass-circulation daily Kurier and independent political weekly Profil report. Hoess was a key figure in the structuring of the Austrian foreign service, and served as Austrian Ambassador to Germany and to the United States (1987 - 1992). As Ambassador to the US, he pushed - unsuccessfully - for the annulment of Washington's decision to put Austrian President Kurt Waldheim on the watch-list, Profil says. Hoess was also an avid supporter of Austria's European Union membership, as well as of the admission into the EU of the new Central and Eastern European democracies.

MORE US TROOPS FOR IRAQ?

**¶3.** A call by new US Defense Secretary Robert Gates for the deployment of an additional 20,000 troops to Iraq could lead to a conflict between the White House and Congress, independent provincial daily Salzburger Nachrichten writes: The Democrats have announced their opposition to proposals to increase US troop levels

in Iraq, and are pushing for a gradual pullout instead. US President George Bush has meanwhile made a number of key military appointments for the region, thus signaling a reshaping of his Iraq strategy, the daily continues. However, instead of the withdrawal suggested by the Democrats and the Baker Commission, a re-structuring of the military responsibilities in Iraq appears to be in preparation. Premier Al-Maliki has announced a new offensive against Sunni and Shiite militias in Baghdad: Three Iraqi army brigades are to be redeployed from the Kurdish areas in the north to the capital, while the multi-national forces, led by the US, are to be mainly responsible for the surrounding areas.

Independent political weekly Profil meanwhile publishes a report with several potential scenarios for the future of Iraq: One option is that "the US remains and the country becomes stable somehow, eventually." Another suggestion, according to the weekly, is the emergence of "a federated Iraqi state with a weak central government following the gradual pullout of US troops." Or, "the US pulls out, and Iraq breaks up into three parts." Iraq could also "partition, and become stable after a period of chaos." The weekly also suggests that Iraq fragments entirely, becomes a "black hole, a failed state" ruled by regional religious leaders and warlords. Finally, Profil suggests, Iraq could become "a failed state and destabilize the entire region."

#### ISRAEL DENIES IRAN ATTACK REPORTS

¶5. Several Austrian media - sourcing the Sunday Times -- say Israel could be planning an attack on the Iranian nuclear facility at Natanz, including the use of so-called "bunker buster" weapons and low-yield nuclear bombs. Israel, however, has denied these allegations, with Foreign Ministry spokesperson Mark Regev stressing the reports were "untrue," liberal daily Der Standard writes. On the contrary, Israel was "supporting one hundred percent the international community's efforts to bring about a suspension of the Iranian nuclear program with the assistance of the UN Security Council," the daily quotes the spokesperson. Tehran has meanwhile said it would retaliate massively: "Any attack on Iran would result in a powerful response," Iranian Foreign Ministry spokesperson Mohammed-Ali Hosseini warned, according to the Standard. However, the daily also quotes Israeli defense experts as saying they do not believe Israel actually has the necessary equipment for such a move.

McCaw